



FEBRUARY 24, 2017

### Highlights

Liquidity in the money market was relatively tight during the week ending February 22, 2017, largely on account of sale of repo securities. The average interbank rate was stable, at 6.54 percent in the week ending February 22, 2017 compared to 6.84 percent recorded in the previous week.

The capital markets recorded mixed performance during the week ending February 23, 2017.

### Monetary Policy Operations

Liquidity in the money market was relatively tight during the week ending February 22, 2017, largely on account of sale of repo securities to stabilize the money market. The Central Bank's open market operations resulted in a net liquidity reduction of KSh 7.7 billion (Table 1).

Commercial banks' reserve position improved, with free reserves based on the cash reserve requirement of 5.25 percent raising to KSh 7.9 billion in the week ending February 22, 2017 compared to KSh 1.9 billion recorded in the previous week (Chart A).

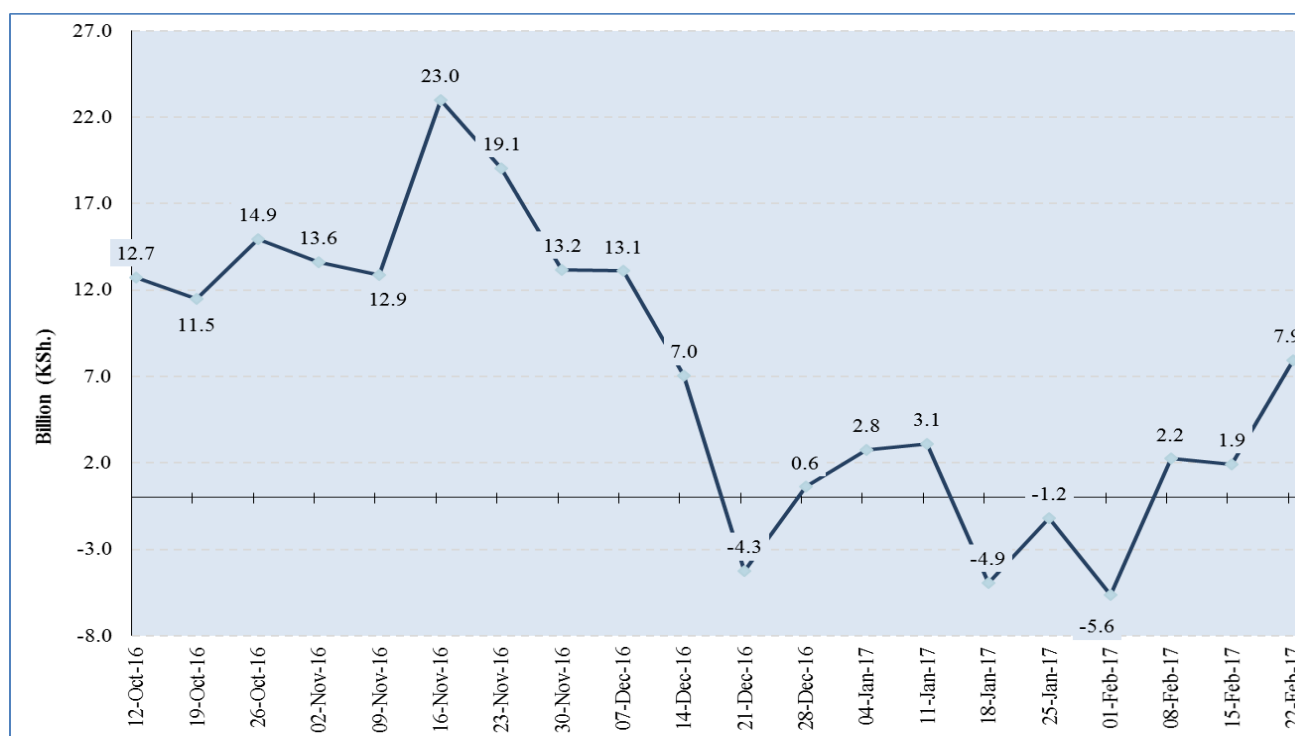
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	16-Feb-17	17-Feb-17	20-Feb-17	21-Feb-17	22-Feb-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection <sup>\</sup>1</b>	<b>14.2</b>	<b>4.1</b>	<b>57.5</b>	<b>4.2</b>	<b>3.2</b>	<b>83.3</b>
Repos Maturities	11.6	0.0	1.2	0.0	0.0	12.8
Reverse Repo Purchases	0.0	2.7	0.0	2.0	1.9	6.6
Term Auction Deposit maturities	0.0	0.0	3.3	0.0	0.0	3.3
T/bills redemptions	0.0	0.0	20.8	0.0	0.0	20.8
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	23.6	0.0	0.0	23.6
T/bonds Interest	0.0	0.0	6.5	0.0	0.0	6.5
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.7	1.4	2.1	2.2	1.3	9.7
<b>Total liquidity reduction <sup>\</sup>1</b>	<b>7.8</b>	<b>5.9</b>	<b>47.0</b>	<b>6.2</b>	<b>22.6</b>	<b>89.5</b>
T/bills (Primary issues)	0.0	0.0	26.5	0.0	0.0	26.5
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	2.3	0.0	17.4	0.0	0.0	19.7
Reverse Repos maturities	0.0	3.5	0.0	2.0	1.9	7.4
Term Auction Deposit	3.3	0.0	0.0	0.0	0.0	3.3
Transfer from Banks -Taxes	2.2	2.3	3.2	4.2	20.7	32.6
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>6.4</b>	<b>-1.8</b>	<b>10.5</b>	<b>-2.0</b>	<b>-19.4</b>	<b>-6.2</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	12.0	-	22.0	-	-	34.0
<b>Realised Amount - Mop up</b>	<b>5.6</b>	<b>-</b>	<b>17.4</b>	<b>-</b>	<b>-</b>	<b>22.9</b>
Repo (-)	2.3	-	17.4	-	-	19.7
Term Auction Deposits (-)	3.3	-	-	-	-	3.3

<sup>\</sup>1 Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

CHART A: COMMERCIAL BANKS EXCESS RESERVES



Source: Central Bank of Kenya

Activity in the Interbank Market

The average interbank rate was stable, at 6.54 percent in the week ending February 22, 2017 compared to 6.84 percent recorded in the previous

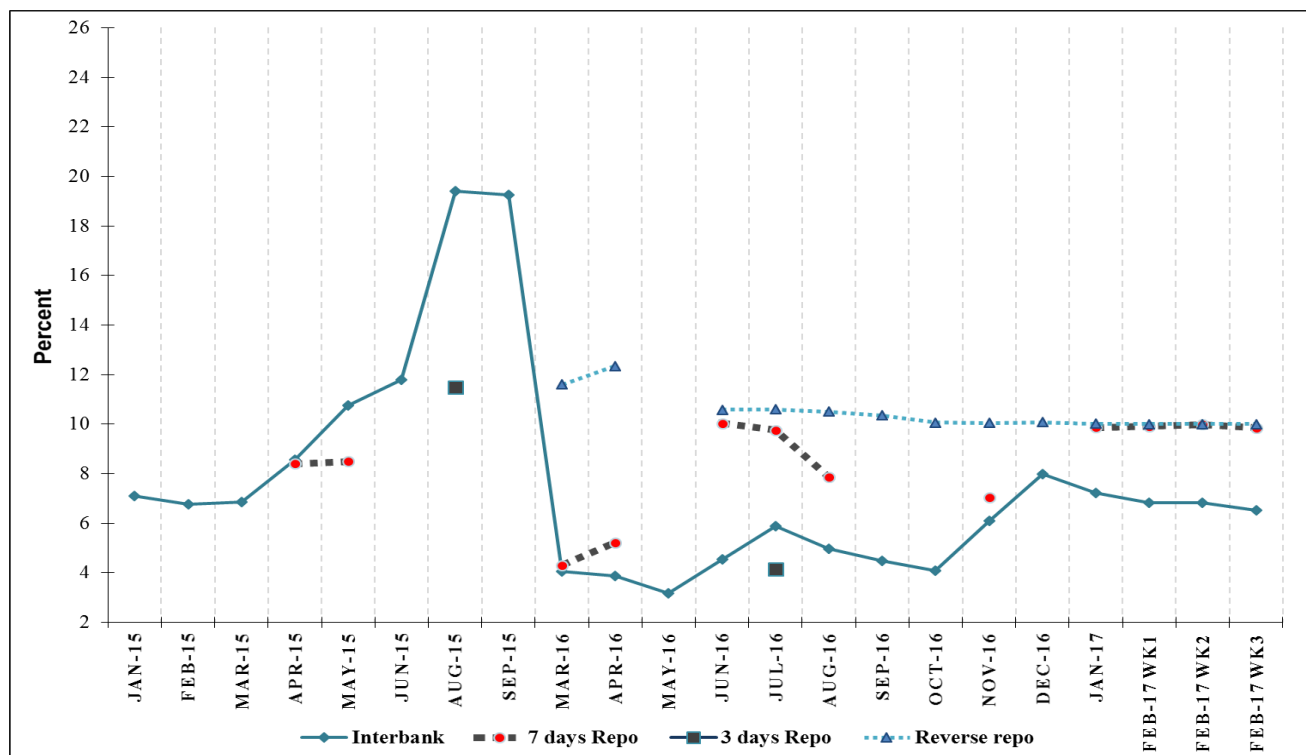
week. The volumes transacted declined marginally to KSh 9.23 billion compared to KSh 10.38 billion over the same period (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
9-Feb-17	40	13,390	7.23	-
10-Feb-17	42	14,535	6.99	10.00
13-Feb-17	27	11,350	6.61	-
14-Feb-17	24	7,315	6.52	10.00
15-Feb-17	18	5,315	6.84	-
<b>Feb 9, 2017 - Feb 15, 2017</b>	<b>30</b>	<b>10,381</b>	<b>6.84</b>	<b>10.00</b>
16-Feb-17	25	9,900	7.45	10.00
17-Feb-17	20	8,050	6.99	-
20-Feb-17	20	8,650	6.24	-
21-Feb-17	21	9,080	6.00	-
22-Feb-17	28	10,480	6.02	-
<b>Feb 16, 2017 - Feb 22, 2017</b>	<b>23</b>	<b>9,232</b>	<b>6.54</b>	<b>10.00</b>

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate portrayed mixed performance against major international currencies during the week ending February 23, 2017. It strengthened against the US Dollar, the Sterling Pound and the Euro but weakened

against the Japanese Yen. In the EAC region the Kenya Shilling strengthened against all the EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
10-Feb-17	103.53	129.47	110.32	91.08	34.60	21.59	8.09	16.30
13-Feb-17	103.63	129.42	110.16	91.15	34.59	21.57	7.93	16.29
14-Feb-17	103.67	130.01	110.11	91.47	34.58	21.54	7.89	16.37
15-Feb-17	103.66	129.34	109.93	90.64	34.58	21.56	8.08	16.28
16-Feb-17	103.65	129.27	110.12	91.03	34.56	21.56	7.89	16.29
<b>10-16 February 2017</b>	<b>103.63</b>	<b>129.50</b>	<b>110.13</b>	<b>91.07</b>	<b>34.58</b>	<b>21.56</b>	<b>7.98</b>	<b>16.30</b>
17-Feb-17	103.65	129.57	110.54	91.40	34.59	21.55	7.90	16.38
20-Feb-17	103.62	128.73	110.14	91.60	34.60	21.56	8.08	16.29
21-Feb-17	103.58	128.96	109.72	91.21	34.61	21.58	8.09	16.30
22-Feb-17	103.58	129.52	109.24	91.29	34.61	21.57	8.09	16.30
23-Feb-17	103.59	128.96	108.91	91.70	34.63	21.57	7.90	16.40
<b>17-23 February 2017</b>	<b>103.61</b>	<b>129.15</b>	<b>109.71</b>	<b>91.44</b>	<b>34.61</b>	<b>21.57</b>	<b>8.01</b>	<b>16.34</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

### The Capital Market

The market recorded mixed performance in the week ending February 23, 2017. Equities posted marginal gains and the bond market substantially improved turnover.

### Equities Market

NASI, NSE 20 Share and NSE 25 Share Indices recorded marginal gains during the week ending

February 23, 2017. Market capitalization, which measures shareholder wealth, increased marginally by 0.48 percent on account of improved performance in share prices. Equity turnover, however, declined by 21 percent, largely reflecting 14 percent decline in volume of shares traded (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-17	23-Feb-17	Weekly Change (Percent)
NASI 100= 2008	124.75	124.21	122.42	123.43	125.19	125.33	125.93	0.48
NSE 25 Share Index	3,262.53	3,234.77	3,160.28	3,174.11	3,263.05	3,263.60	3,279.56	0.49
NSE 20 Share Index 100= 1996	3,014.36	2,924.90	2,824.32	2,833.09	2,933.09	2,971.50	3,009.19	1.27
Number of Deals	4,789	4,839	4,581	4,316	4,843	4,891	5,006	2
Total Shares Traded (Million)	124.03	124.12	109.79	140.58	217.76	154.88	133.04	-14.10
Equity Turnover (KSh Million)	2,579.69	3,200.87	2,924.39	3,122.69	4,196.56	3,014.60	2,387.68	-20.80
Market Capitalization (KSh Billion)	1,806.88	1,799.06	1,772.92	1,787.61	1,813.19	1,816.88	1,825.55	0.48
I-REIT Turnover in (KSh Million)	0.28	0.46	0.06	0.27	0.54	0.23	11.13	4,738.05
I-REIT in Units - Total Deals	20.00	25.00	5.00	13.00	29.00	20.00	27.00	35.00
Bonds Turnover (KSh Million)	6,208.51	10,653.85	8,487.17	6,061.50	7,098.57	3,919.48	4,915.45	25.41
FTSE NSE Kenya 15 Index	150.86	147.33	144.74	141.55	149.94	148.92	150.07	0.77
FTSE NSE Kenya 25 Index	154.95	152.44	150.28	148.11	154.55	153.35	153.82	0.31
FTSE NSE Bond Index	89.94	89.86	89.63	89.70	89.73	89.82	89.80	-0.02

*Source: Nairobi Securities Exchange*

### FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE<sup>1</sup> NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of the 15 largest companies by market capitalization and the 25 most liquid stocks at the Nairobi Securities Exchange (NSE), increased slightly during the period in review. The Telecommunication & Technology and Energy & Petroleum sectors accounted for the majority of shares traded, at 52.98 percent and 19.20 percent, respectively. The Banking sector accounted for a further 16.12 percent of trading in the week under review.

Activity in the real estate market segment improved substantively with gains in Real Estate Investment

Trust (REIT) turnover and the number of deals transacted. The increased activity can be attributed to the approval of pension schemes to invest in derivatives, and subsequent expansion of pension scheme investments in I-REITS.

### Bond Market

Bond turnover increased over the week under review by 25.41 percent. The number of bond deals decreased from 106 to 82 in the week ending February 23, 2017. The FTSE Bond Index declined by 0.02 percent, reflecting a slight increase in secondary market yields.

<sup>1</sup> FTSE refers to Financial Times Stock Exchange, which is an average of share prices in the 100 largest,

most actively traded companies on the London Stock Exchange. The two NSE indices are indexed on FTSE.

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**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>						
Date of Auction	29-Dec-16	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-17	23-Feb-17
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,367.7	5,840.1	3,735.4	1,760.7	1,510.5	3,847.0
Amount Accepted (Ksh M)	1,367.4	5,557.4	2,629.7	1,370.4	1,510.5	1,782.0
Maturities (Ksh M)	4,267.1	4,384.0	4,443.9	3,905.1	2,054.5	5,672.5
Average interest Rate (%) - 91 Days	8.6	8.7	8.7	8.7	8.6	8.6
<b>182-Day Treasury Bills</b>						
Date of Auction	28-Dec-16	25-Jan-17	01-Feb-17	08-Feb-17	15-Feb-17	22-Feb-17
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,140.8	5,078.3	15,335.2	17,917.5	8,483.4	24,748.7
Amount Accepted (Ksh M)	1,145.9	2,218.5	15,115.5	15,504.1	15,500.4	19,648.6
Maturities (Ksh M)	1,247.7	6,733.4	12,201.2	6,330.2	8,949.6	8,039.4
Average interest Rate (%) - 182 days	10.5	10.5	10.6	10.5	10.5	10.5
<b>364-Day Treasury Bills</b>						
Date of Auction	28-Dec-16	25-Jan-17	01-Feb-17	08-Feb-17	15-Feb-17	22-Feb-17
Amount offered (Ksh M)		6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)		1,339.6	7,718.3	8,241.0	9,663.5	1,064.4
Amount Accepted (Ksh M)		1,339.6	6,062.1	6,008.0	9,483.5	1,064.4
Maturities (Ksh M)		1,666.3	7,013.0	10,398.3	9,825.2	8,286.5
Average interest Rate (%) - 364 days		10.9	10.9	10.9	10.9	10.9
<b>Treasury Bonds</b>						
Date of Auction	29-Dec-16					22-Feb-17
Tenor	FXD3/2016/2 (Tap Sale)					IFBI/2017/12
Amount offered (Ksh M)	20,000.0					30,000.0
Bids received (Ksh M)	1,354.0					33,135.4
Amount Accepted (Ksh M)	1,353.8					5,997.5
Maturities (Ksh M)	0.0					0.0
Average interest Rate (%)	12.5					13.6

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	25-Nov-16	30-Dec-16	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17
1. Treasury Bills (Excluding Repos)	611.95	620.19	604.78	598.48	595.13	596.72	600.42
(As % of total securities)	33.19	33.17	32.59	32.36	32.24	32.30	32.51
2. Treasury Bonds	1,231.57	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,246.20
(As % of total securities)	66.81	66.83	67.41	67.64	67.76	67.70	67.49
<b>3. Total Securities (1+2)</b>	<b>1,843.52</b>	<b>1,869.53</b>	<b>1,855.48</b>	<b>1,849.17</b>	<b>1,845.83</b>	<b>1,847.41</b>	<b>1,846.62</b>
4. Overdraft at Central Bank	9.96	29.93	1.12	13.58	17.30	17.23	9.54
5. Other Domestic debt*	32.05	31.39	31.53	32.10	30.96	30.96	30.95
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,885.54</b>	<b>1,930.86</b>	<b>1,888.14</b>	<b>1,894.85</b>	<b>1,894.09</b>	<b>1,895.60</b>	<b>1,887.11</b>

\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: Central Bank of Kenya

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT (IN PERCENT)**

	24-Jun-16	29-Jul-16	25-Nov-16	30-Dec-16	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17
Treasury bills (Excluding Repos)	32.1	31.9	32.5	32.1	31.6	31.4	31.5	31.8
Treasury bonds	64.1	65.6	65.3	64.7	66.0	66.0	66.0	66.0
CBK Overdraft to Govt	2.1	0.8	0.5	1.6	0.7	0.9	0.9	0.5
Other domestic debt	1.7	1.7	1.7	1.6	1.7	1.6	1.6	1.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)**

	29-Jul-16	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17
Banking Institutions	54.8	54.4	55.0	53.3	52.5	52.5	52.3	51.8	51.6	51.6	51.4	51.2
Insurance Companies	7.6	7.3	7.4	7.1	7.3	7.3	7.4	7.5	7.5	7.5	7.5	7.5
Parastatals	5.1	5.6	5.5	5.8	5.6	5.6	5.7	5.7	5.7	5.7	5.8	5.8
Pension funds	26.8	27.0	26.6	27.3	28.0	28.0	28.1	28.4	28.6	28.5	28.7	28.8
Other investors	5.7	5.6	5.6	6.5	6.5	6.5	6.6	6.7	6.7	6.7	6.7	6.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: Central Bank of Kenya*

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-17	23-Feb-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,056	6,944	6,853	6,944	6,947	6,942	6,949	6,948
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.66	4.59	4.52	4.59	4.59	4.58	4.59	4.59

\*Excludes Encumbered Reserves

\*\*Based on 36 months average of imports of goods and non-factor services.

*Source: Central Bank of Kenya*